

DOE's Privatization Record

The GAO has conducted an intensive review of DOE's first two privatization budgets. In this review, the GAO found similar problems to those represented by the omissions already noted in this DEIS. The GAO found that "(1) some projects were not needed, (2) the cost estimates for other projects were not complete or reliable, and (3) some projects were not required by compliance agreements and could be postponed."³ In addition, a 1996 study funded by DOE's Office of Environmental Management found that cost overruns since 1993 on environmental management projects continued to exceed original estimates by 30 percent to 50 percent.⁴

One reason for DOE's fixation on a single kind of privatization and for the poor performance of large privatized cleanup contracts is that DOE is not currently capable of providing the expertise necessary to achieve privatization. DOE itself admitted in 1997 that

very few Departmental personnel have expertise in business finance, strategic business planning, and general corporate transactional work as they relate to privatization...The Department [must] retain needed expertise in various fields to ensure successful privatization outcomes.⁵

Another reason for DOE's failure to consider other privatization methods or to carefully evaluate the total costs of full contractor financing apparently rests in DOE's expectations for privatization. According to DOE, "mortgage reduction...is the prime driver [for privatization]..."⁶ "Mortgage reduction" is clearly a misnomer for a DOE effort to defer the cost of cleanup activities to later years. Under a privatization contract with full private financing, money is not initially allocated from the federal budget so costs seem lower. However, these costs are merely deferred, and will likely be greater in the long run. The GAO has found that "when decisions on capital asset acquisition are driven by budget scoring constraints, the government may pay more for the asset in the long run than necessary."⁷

Privatization of the Advanced Mixed Waste Treatment Project

Prior to the issuance of this DEIS, the Advanced Mixed Waste Treatment Project had been ongoing for two years; the AMWTP contract was awarded to BNFL in December, 1996. The project was funded for \$70 million in FY 1997, \$0 in FY 1998, and it appears it will be funded for \$87.25 million in the FY1999 budget even though Congress roughly halved the privatization budget for FY1999, partially because of its displeasure with DOE's concept of privatization.

Currently OMB regards DOE's privately financed privatization projects as service contracts. According to the GAO, while the impact on outlays in the budget is minimized in the early years of the privatization program under this option, privatization will increase outlays dramatically in later years as these projects come on-line.⁸ However, DOE claims in this DEIS that

"In 1992 and 1993, DOE...studies concluded that cost savings could be achieved and the schedule shortened by 7 years from that proposed by the Management and Operations (M&O) contractor if treatment of the 65,000 cubic meters of waste were privatized."⁹

Since cost is listed as a primary rationale for privatization of the AMWTP, the cost of financing privatization should have been fully discussed in this DEIS. In fact, if lower